

HARRISON TOWNSHIP

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2007

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HARRISON TOWNSHIP

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Loy	Chair	January, 2009
Paul Weber	Trustee	January, 2011
Duane Klein	Trustee	January, 2011
Kathryn Loy	Clerk	Indefinite
Jennifer Mumm	Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

September 10, 2007

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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Licensed In:

Iowa
Missouri

To the Trustees of Harrison Township:

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Harrison Township, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Harrison Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

September 10, 2007
To the Trustees of Harrison Township
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Harrison Township at June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my reports dated September 10, 2007 on my consideration of the Harrison Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Harrison Township has not presented Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Harrison Township's basic financial statements. Other supplementary information, included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


M. W. Wolford Associates, CPA, P.C.

BASIC FINANCIAL STATEMENTS

HARRISON TOWNSHIP
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED 30, 2007

EXHIBIT A

	Functions/Programs			
	Total	Cemetery	Fire	Library
Functions / Programs:				
Contractual services	\$ 23,828	\$ 14,916	\$ 8,312	\$ 600
Capital improvements	12,182	12,182	-0-	-0-
Equipment	2,500	2,500	-0-	-0-
Fees:				
Clerk	4,325	4,325	-0-	-0-
Trustee	375	375	-0-	-0-
Insurance	1,248	1,248	-0-	-0-
Lots purchased	900	900	-0-	-0-
Repairs	1,259	1,259	-0-	-0-
Supplies	236	236	-0-	-0-
Utilities	874	874	-0-	-0-
	47,727	\$ 38,815	\$ 8,312	\$ 600
General receipts:				
Property taxes levied for:				
General purposes	24,945			
Sale of cemetery lots	6,600			
Grave openings	6,600			
Soldier graves	1,765			
Donations	1,375			
Township fees	733			
Refunds	116			
Proceeds from sale of assets	405			
Interest on investments	1,223			
Total general receipts	43,762			
Change in cash basis net assets	(3,965)			
Cash basis net assets, beginning of year	41,634			
Cash basis net assets, end of year	\$ 37,669			
Cash basis net assets				
Restricted:				
Fire	\$ 832			
Library	-0-			
Unrestricted	36,837			
Total cash basis net assets	\$ 37,669			

See notes to financial statements.

HARRISON TOWNSHIP

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT B

	Special Revenue		
	Cemetery	Fire	Library
Receipts:			
Property tax	\$ 16,271	\$ 8,074	\$ 600
Sale of cemetery lots	6,600	-0-	-0-
Grave openings	6,600	-0-	-0-
Soldier graves	1,765	-0-	-0-
Donations	1,375	-0-	-0-
Township fees	733	-0-	-0-
Refunds	116	-0-	-0-
Proceeds from sale of assets	405	-0-	-0-
Interest on investments	1,223	-0-	-0-
Total receipts	35,088	8,074	600
Disbursements:			
Contractual services	14,916	8,312	600
Capital improvements	12,182	-0-	-0-
Equipment	2,500	-0-	-0-
Fees:			
Clerk	4,325	-0-	-0-
Trustee	375	-0-	-0-
Insurance	1,248	-0-	-0-
Lots purchased	900	-0-	-0-
Repairs	1,259	-0-	-0-
Supplies	236	-0-	-0-
Utilities	874	-0-	-0-
Total disbursements	38,815	8,312	600
Net change in cash balances	(3,727)	(238)	-0-
Cash balances, beginning of year	40,564	1,070	-0-
Cash balances, end of year	\$ 36,837	832	-0-
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	36,837	832	-0-
Total fund balance	\$ 36,837	\$ 832	\$ -0-

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**HARRISON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Harrison Township is a political subdivision of Harrison County, Iowa. The Township is governed by three Trustees elected on a non-partisan basis. The Township provides services to citizens including cemetery, fire and participates in library services.

A. Reporting Entity

For financial reporting purposes, Harrison Township has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Township has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Township to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the Township. The Township has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from this statement.

The Statement of Activities and Net Assets presents the Township's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

HARRISON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

Special Revenue:

The Cemetery Fund is utilized to account for all resources used for the operation and maintenance of Pleasant Hill Cemetery.

The Fire Fund is used to account for the collection of property taxes for use by the surrounding local Fire Departments, which are contractually bound to provide fire protection to the citizens of the Township.

The Library fund is used to account for the collection of property taxes for use by the local Library that the citizens of the Township are entitled to use.

C. Measurement Focus and Basis of Accounting

Harrison Township maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Township are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

**HARRISON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Cemetery and Fire Funds.

NOTE 2 CASH AND POOLED INVESTMENTS

The Township's deposits at June 30, 2007, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Township is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Township Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Township had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

The Township's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$37,669 as of June 30, 2007.

NOTE 3 LONG-TERM DEBT

Capital Lease Purchase Agreement

On May 22, 2007, the Township entered into a capital lease purchase agreement to lease a 4wd Kubota utility tractor and loader with a historical cost of \$10,880. The Township made an initial down payment of \$2,500 to the implement dealer in May of 2007 and financed the remainder of the cost, to be paid in three equal annual installments beginning in May of 2008. The Township received the utility tractor and loader in May of 2007. The following is a schedule of future minimum lease payments, including interest at 0.00% per annum and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

HARRISON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 LONG-TERM DEBT (cont'd)

Year Ending June 30,	Amount
2008	\$ 2,793
2009	2,793
2010	2,794
Total minimum lease payments	8,380
Less amount representing interest	-0-
Present value of net minimum lease payments	\$ <u>8,380</u>

NOTE 4 RELATED PARTY TRANSACTIONS

Business transactions between the Township and Township Trustees totaled \$1,316 during the year ended June 30, 2007.

NOTE 5 RISK MANAGEMENT

Harrison Township is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Township assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

NOTE 6 ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for state and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule-Perspective Differences we implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the Township's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non major funds are presented in one total column.

Implementation of these standards had no effect on the beginning balances of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISON TOWNSHIP

BUDGETARY COMPARISON SCHEDULE
OF DISBURSEMENTS
BUDGET AND ACTUAL (CASH BASIS)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

Funds/Levy	Budget Amounts Original and Final	Actual	Variance Between Actual and Adopted Budget
Major Funds:			
Cemetery	\$ 24,800	\$ 38,815	\$ (14,015)
Fire	8,000	8,312	(312)
Library	600	600	-0-
Total	\$ 33,400	\$ 47,727	\$ (14,327)

See Accompanying Independent Auditor's Report.

HARRISON TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon funds. All funds are required to be budgeted. During the year, there were no budget amendments.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the cemetery fund and the fire fund.

OTHER SUPPLEMENTARY INFORMATION

HARRISON TOWNSHIP
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General obligation debt:			
Lease - Kubota utility tractor	May 22, 2007	0.00%	\$ 8,380

See accompanying independent auditor's report.

SCHEDULE 1

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>-0-</u>	\$ <u>8,380</u>	\$ <u>-0-</u>	\$ <u>8,830</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

HARRISON TOWNSHIP
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2007

General Obligation Debt

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Amount</u>
2008	0.00%	\$ 2,793
2009	0.00%	2,793
2010	0.00%	<u>2,794</u>
Total		\$ <u>8,380</u>

See Accompanying Independent Auditor's Report.

**HARRISON TOWNSHIP
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

FOR THE LAST FOUR YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property taxes	\$ 24,945	\$ 24,220	\$ 25,054	\$ 27,314
Sale of cemetery lots	6,600	2,400	1,200	4,100
Grave openings	6,600	10,800	7,845	7,000
Soldier graves	1,765	1,705	3,300	1,296
Donations	1,375	2,350	3,889	250
Township fees	733	733	733	733
Refunds	116	-0-	18	709
Sale of assets	405	8,075	150	50
Interest on investments	1,223	486	508	572
	<u>1,223</u>	<u>486</u>	<u>508</u>	<u>572</u>
Total	\$ <u>43,762</u>	\$ <u>50,769</u>	\$ <u>42,697</u>	\$ <u>42,024</u>
Disbursements:				
Operating:				
Cemetery	\$ 38,815	\$ 27,346	\$ 35,658	\$ 41,173
Fire	8,312	7,496	7,675	8,598
Library	600	600	600	600
	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>
Total	\$ <u>47,727</u>	\$ <u>35,442</u>	\$ <u>43,933</u>	\$ <u>50,371</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

September 10, 2007

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

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Accountant

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Licensed In:

Iowa
Missouri

To the Trustees of Harrison Township:

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Harrison Township, Iowa as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements listed in the table of contents, and have issued my report thereon dated September 10, 2007. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Harrison Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued . . .

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs. I also noted findings of petitioners' concerns as described in Part IV of the accompanying Schedule of Findings on Petitioners' Concerns.

Continued . . .

September 10, 2007
To the Trustees of Harrison Township
Page Three

Comments involving statutory and other legal matters about the Township's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Township. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harrison Township's responses of findings identified in my audit are described in the accompanying Schedule Findings and Questioned Costs. While I have expressed my conclusions on the Township's responses, I did not audit the Harrison Township's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of Harrison Township and other parties to whom the Harrison Township may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Harrison Township during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCE OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among officers to prevent an individual officer from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the Township should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The Township could segregate duties to the extent possible with existing personnel and utilize Trustees to provide additional control through review of financial transactions and reports.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

II-B-07 Depository Resolution

Comment - Chapter 12C requires all funds held by a governing body to be deposited in a depository that has been approved by the Board of Trustees as set forth by resolution.

Recommendation - The Board of Trustees should pass a resolution approving a financial institution(s) and an amount that can be held by that financial institution(s).

Response - We will approve a resolution for an official depository.

Conclusion - Response acknowledged.

II-C-07 Written Policies

Comment - The Township does not have written policies and procedures in place to address the following:

- a. Investment Policy: Chapter 12B requires that all public funds invested shall be made in accordance with written policies.
- b. Receipt and Custody of Funds: Iowa Code Section 359.21 requires the Township Clerk to receive, collect and disburse all funds belonging to the Township and claims shall not be paid until approved by the Trustees.
- c. Capital Assets: Acquisition and disposal of the assets of the Township should follow planned procedures before acquiring or disposing of Township assets.
- d. Accounting Manual: The Township does not have a written accounting manual.
- e. Fund Balance: While there is no statutory prohibition on the accumulation of fund balances, reasons for accumulating substantial fund balances should be documented.

Recommendation - The Township should establish written policies and procedures and develop a written accounting procedures manual.

Response - We will establish written policies and procedures regarding the items listed above.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

II-D-07 Annual Financial Report

Comment - The Summary Statement of Receipts and Disbursements filed with the Harrison County Auditor as required by Chapter 359.23 of the Code of Iowa recorded a purchase of a certificate of deposit as a disbursement.

Recommendation - The Clerk of the Township should not record the purchase of certificates of deposit as disbursements on the Annual Report.

Response - We will record the purchase of certificates of deposits appropriately in the future.

Conclusion - Response acknowledged.

II-E-07 Receipts

Comment - An independent person does not open and prepare a listing of the receipts received by the Township and the same person deposits the receipts in the financial institution.

The Township does not use pre-numbered receipt invoices for recording its receipts.

Recommendation - We realize segregation of duties is difficult with a limited number of personnel. However, the operating procedures of the Township should be reviewed so that the maximum internal control over receipts can be obtained. Officials other than the Township Clerk should be utilized to provide additional controls over the receipting process. Also, pre-numbered receipts should be issued for each collection received.

Response - The Trustees will take a more active role in this area and we will continue to do what we can to comply with this issue with the limited personnel.

Conclusion - Response acknowledged

HARRISON TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

II-F-07 Disbursements

Comment - Section 359.21 of the Code of Iowa required that all disbursements shall be approved by the Township Trustees before the claim is paid.

I found many instances where the invoices for expenditures were not cancelled by defacing the invoice as paid.

Recommendation - The claims for disbursements should be approved by the Trustees as the invoices are paid or an abstract of claims should be prepared with a listing of all claims to be paid and the Trustee's should approve the abstract of claims at a regular meeting and appropriately recorded in the Township minutes. Also, the Clerk should deface the invoices being paid by stamping or marking the invoice paid as to eliminate the possibility of paying the invoice twice.

Response - The Trustees will approve all claims prior to payment in the future.

Conclusion - Response acknowledged.

II-G-07 Disposal of Property

Comment - Section 359.52 of the Code of Iowa required that all interest in personal or real property (excluding the sale of cemetery lots) shall have the following procedures:

a. The Board of Trustees shall set forth its intentions in a resolution and shall publish notice of the resolution and date, time and place of the public hearing on the proposal not less than ten days and not more than twenty days before the public hearing.

b. After the public hearing, the Trustees may make a final determination on the proposal by resolution.

I found an instance where an asset was sold at a public auction without the appropriate resolutions and public hearing held.

Recommendation -The Township should take steps to comply with Section 359.23.

Response - The Trustees will comply with Section 359.23 in the future.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

II-I-07 Fund Balance

Comment - While there is no statutory requirement restricting excess fund balances, substantial balances, if any, should be justified by the Township, documenting the reasons for accumulating the substantial balances.

Recommendation - While the Trustees of the Township have provided an explanation as to why the excess fund balances are being accumulated, for future capital improvements, and prior history supports this explanation, the Trustees should have a written policy or documentation in the annual meeting minutes as to this policy.

Response - The Trustee's will provide written policies or written documentation in the future.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the cemetery and fire funds.

Recommendation - The budget should have been amended in accordance with Chapter 359.50 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response acknowledged.

III-B-07 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees or Trustees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion.

III-C-07 Travel Expense - No disbursements of Township money for travel expenses of spouses of Township officials or employees were noted.

III-D-07 Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.

III-E-07 Bond Coverage - Surety bond coverage of Township officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Township Minutes - Chapter 21.3 requires that the Township shall keep minutes of all of its meetings showing the date, time and place, the Trustees present and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each Trustee present. While the Township recorded minutes of the Township meetings, the minutes did not reflect information indicating the vote of each Trustee on the action taken.

I also found instances where the minutes were not signed by the recording clerk at that meeting.

Recommendation - The Clerk of the Township should record in the minutes the vote on each action taken and the corresponding result. Also, the recording clerk present should sign the minutes of each meeting after approval by the Trustees.

Response - We will record the minutes to reflect the actions taken and sign the minutes appropriately.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

III-G-07 Deposits and Investments - The interest rate on two certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee to be in compliance with Chapter 12B and 12C of the Code of Iowa.

Recommendation - The Township should be aware of the current allowable rates to ensure at least the minimum allowable rate is received on all public investments. Also, the Township should contact the financial institution to obtain at least the minimum rate of interest on these two certificates of deposit.

Response - We will monitor the interest rates on all future investments to obtain the allowable minimum rates and will correct the rates on the two certificates of deposit in question.

Conclusion - Response acknowledged.

III-H-07 Annual Financial Report - The Summary Statement of Receipts and Disbursements filed with the Harrison County Auditor as required by Chapter 359.23 of the Code of Iowa contained a purchase of a certificate of deposit as a disbursement.

Recommendation - The Clerk of the Township should not record purchases of certificates of deposit as disbursements on the Annual Report.

Response - We will record the purchases appropriately in the future.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

III-I-07 Disposal of Property - Section 359.52 of the Code of Iowa required that all interest in personal or real property (excluding the sale of cemetery lots) shall have the following procedures:

a. The Board of Trustees shall set forth its intentions in a resolution and shall publish notice of the resolution and date, time and place of the public hearing on the proposal not less than ten days and not more than twenty days before the public hearing.

b. After the public hearing, the Trustees may make a final determination on the proposal by resolution.

I found an instance where an asset was sold at a public auction without the appropriate resolutions and public hearing held.

Recommendation -The Township should take steps to comply with Section 359.23.

Response - The Trustees will comply with Section 359.23 in the future.

Conclusion - Response acknowledged.

III-J-07 Lease Purchase Agreement - The Township entered into a lease purchase agreement for a Kubota utility tractor and loader and did not request Harrison County to issue anticipatory bonds payable from future tax collections to fund the equipment purchase as required by Chapter 359.45 of the Code of Iowa.

Recommendation - The Township should comply with the requirements of the Code of Iowa for issuing debt.

Response - We will comply with the Iowa Code in the future.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

III-K-07 Depository Resolution - Chapter 12C requires all funds held by a governing body to be deposited in a depository that has been approved by the Board of Trustees as set forth by resolution.

Recommendation - The Board of Trustees should pass a resolution approving a financial institution(s) and an amount that can be held by that financial institution(s).

Response - We will approve a resolution for an official depository.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS ON PETITIONERS' CONCERNS
YEAR ENDED JUNE 30, 2007

IV-A-07 Propriety of the Township Fund Balances

Misappropriation of Funds

Finding - With regards to the Petitioners' concerns with the distribution of taxes collected to the appropriate Funds, I found nothing during my audit that would indicate that the Township has misappropriated tax collections to any Fund that it was not intended for during the fiscal year ended June 30, 2007.

Substantial Fund Balances

Finding - With regards to the Petitioners' concerns with substantial and /or excessive Fund Balances, the ending Fund Balance at June 30, 2007 was less than one years expected revenues. The Trustees have a policy of accumulating reserve balances for future capital improvements and unexpected operation expenses. There is substantial past history of the Township using reserve balances for capital improvements to the infrastructure of the Cemetery. While there is no statutory requirement restricting excess fund balances, substantial balances, if any, should be justified by the Township, documenting the reasons for accumulating the substantial balances.

Recommendation - While the Trustees of the Township have provided an explanation as to why the excess fund balances are being accumulated, for future capital improvements, and prior history supports this explanation, the Trustees should have a written policy or documentation in the annual meeting minutes as to this policy.

Response - The Trustee's will provide written policies or written documentation in the future.

Conclusion - Response acknowledged.

IV-B-07 Propriety of Investments in Compliance with Chapter 12B of the Code of Iowa

Establishment and Compliance with Investment Policy (12B.10B)

Finding - The Township did not have a written investment policy in accordance with Chapter 12B.10B of the Code of Iowa. During my audit, I found that the Township was in compliance with the type of investment per Chapter 12B.10B of the Iowa Code as the only investments were certificate of deposits with a local financial institution and are covered under the financial institutions FDIC insurance.

HARRISON TOWNSHIP
SCHEDULE OF FINDINGS ON PETITIONERS' CONCERNS
YEAR ENDED JUNE 30, 2007

IV-B-07 Propriety of Investments in Compliance with Chapter 12B of the Code of Iowa, (cont'd)

I did note during my audit that there were instances during the fiscal year ended June 30, 2007 that the interest rates on two certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee to be in compliance with Chapter 12B and 12C of the Code of Iowa.

Recommendation - The Township should establish written policies for investments and should be aware of the current allowable rates to ensure at least the minimum allowable rate is received on all public investments. Also, the Township should contact the financial institution to obtain at least the minimum rate of interest on these two certificates of deposit.

Response - We will establish written policies and monitor the interest rates on all future investments to obtain the allowable minimum rates and will correct the rates on the two certificates of deposit in question.

Conclusion - Response acknowledged.

IV-C-07 Annual Reporting Requirements

Annual Summary of Receipts and Disbursements

Finding - The Annual Summary of Receipts and Disbursements for the previous fiscal year ended June 30, 2006 was filed timely with the Harrison County Auditor and included all transactions of the Township and included the investments as part of the Fund Balance and the report agreed with the beginning Fund Balances.

Investment Transactions

Finding - The Annual Summary Statement of Receipts and Disbursements filed with the Harrison County Auditor as required by Chapter 359.23 of the Code of Iowa contained a purchase of a certificate of deposit as a disbursement. The inclusion of this certificate as a disbursement did not increase the tax levy asking for the fiscal year ended June 30, 2007.

Recommendation - The Clerk of the Township should not record purchases of certificates of deposit as disbursements on the Annual Report.

Response - We will record the purchases appropriately in the future.

Conclusion - Response acknowledged.

HARRISON TOWNSHIP

DUNLAP, IOWA 51529

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on Harrison Township, located in Harrison County, Iowa, for the year ended June 30, 2007.

The Township's receipts totaled \$43,762 for the year ended June 30, 2007. The receipts included \$24,945 from property tax, \$15,814 from fees and services, \$1,375 from contributions, \$405 from sale of assets, and \$1,223 from unrestricted investment earnings.

Disbursements for the year totaled \$47,727, and included \$38,815 for cemetery expenses, \$8,312 for fire departments, and \$600 library services.

A copy of the audit report is available for review in the Township Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at [http:// auditor.iowa.gov / reports / reports.htm](http://auditor.iowa.gov/reports/reports.htm).